

Message Text

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ACTION EB-07

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DEPARTMENT PASS AGRICULTURE

E.O. 11652: N/A

TAGS: ETRD EAGR

SUBJ: PARIS SUGAR COURSE DEVELOPMENTS

REF: PARIS 03130

1. SINCE APPEALS COURT DECISION OF FEBRUARY 4, THERE HAS BEEN LITTLE PROGRESS TOWARD A SETTLEMENT OF FINANCIAL PROBLEMS AND THEREFORE TOWARD REOPENING OF PARIS WHITE SUGAR MARKET. HOWEVER, RECENT CONVERSATIONS WITH LAMASSOURE, TECHNICAL ADVISER TO MINISTER OF FINANCE FOURCADE, INDICATE GOF BECOMING MORE ACTIVE IN ATTEMPT TO BRING ABOUT A SETTLEMENT SATISFACTORY TO BOTH SHORTS AND LONGS. GOF REALIZES THAT FINANCIAL SETTLEMENT THROUGH LITIGATION COULD LAST FOR YEARS AND PREVENT REOPENING OF MARKET. OPERATORS WHO BOUGHT SUGAR AT HIGH PRICE HAD LITTLE INCENTIVE TO NEGOTIATE AS LONG AS THEY HAD HOPES APPEAL COURT WOULD RULE IN THEIR FAVOR. NOW THAT FUTURE COURT DECISION SEEMS FARTHER AWAY, LAMASSOURE SAID GOF WOULD LIKE TO SPEED UP OUT OF COURT SETTLEMENT AND IS USING ITS GOOD OFFICES FOR THIS PURPOSE.

2. GOF STILL AWAITING SUBMISSION OF MONTREMY REPORT
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ON SUGAR MARKET. OBVIOUSLY LEMASSOURE HAS BEEN IN

CLOSE TOUCH WITH MONTREMY AND HAS SOME IDEA WHAT GOF SHOULD DO TO RESTORE CONFIDENCE IN PARIS MARKET. LAMASSOURE SAID UNDER-CAPITALIZATION OF MARKET AND TRADING RULES ARE TWO MAIN AREAS FOR IMPROVEMENT. HE SAID GOF WILL PROBABLY WANT TO IMPROVE PROCESS BY WHICH BROKERS ARE APPROVED FOR PARTICIPATION IN THE COMMODITIES MARKET. THE PARIS CHAMBER OF COMMERCE AND INDUSTRY, WHICH HAS NOMINAL RESPONSIBILITY FOR SUPERVISION OF COMMODITY TRADING, HAS IN PAST BEEN TOO LAX, HE SAID. LAMASSOURE WAS RELUCTANT TO SPEAK IN OTHER THAN GENERAL TERMS ABOUT GOF INTENTIONS, BUT HE AGREED TO KEEP US INFORMED AS POLICY CHOICES BECOME CLEARER.

3. LAMASSOURE SAID THAT EARLY IN THE CRISIS IT WAS A COMMONLY HELD VIEW IN GOF THAT SUGAR MARKET MIGHT AS WELL REMAIN CLOSED. HE SAID THIS VIEW IS NO LONGER CURRENT, AS BOTH MINISTER OF FINANCE AND MINISTER OF COMMERCE ARE FIRMLY COMMITTED TO GET PARIS MARKET OPERATING AGAIN.
RUSH

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Margaret P. Grafeld
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